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## **Lew: Agreement on Business Tax Reform Possible.**

WASHINGTON — Treasury Secretary Jack Lew said Wednesday that congressional Republicans and the Obama administration are too far apart on individual tax reform but could reach an agreement on business tax reform.

The chances of getting business tax reform done by the end of Barack Obama's presidency are "better than 50-50," Lew said at the Brookings Institution.

Lew seemed to discount the possibility of individual tax reform after Senate Finance Committee leaders began pushing for comprehensive tax reform. Finance Committee chairman Orrin Hatch, R-Utah, and ranking minority member Ron Wyden, D-Ore., set up working groups, including one on community development and infrastructure, in order to boost comprehensive tax reform efforts. Hatch said Tuesday that he wants working groups' efforts to lead to tax reform legislation that will be introduced and voted on in the committee later this year.

But Lew said that the administration and congressional Republicans disagree substantially about individual tax reform. Congressional Republicans want to lower the top individual rate, which Lew doesn't think is the best idea. "I don't think lowering the top individual rate is the way to grow our economy or create a better future for middle-class workers or for the country at large," he said.

However, there are tax changes for businesses that both the administration and congressional Republicans can support, Lew said. He added that he's remained in close contact with the chairmen and ranking minority members of the tax-writing committees and is encouraged that there's interest in having bipartisan discussion on business tax reform.

"I'm optimistic that we can reach an agreement here. I really am. I think there's goodwill on both sides to pursue the conversation," Lew said, though he noted doing business tax reform will be challenging.

The Obama administration wants to do business tax reform that makes changes that help small businesses as well as corporations, Lew said.

The Treasury Secretary spoke about business tax reform the day after President Obama gave his State of the Union address. Both Lew and Obama said that revenues from business tax reform should be used for infrastructure.

Lew said, "Rebuilding America's core infrastructure will have the long-term benefit of making America a more attractive place to invest and do business so that our economy is stronger not just today but for the future." He noted that the tax reform plan put out by former House Ways and Means Committee Chairman Dave Camp also would use temporary revenue created by tax reform for infrastructure.

Lew also criticized the new House rule that will require the Joint Committee on Taxation and the Congressional Budget Office to do "dynamic scoring" for some legislation. Dynamic scoring is when

the macroeconomic activity that would or wouldn't occur if legislation went into effect is taken into consideration for revenue estimates.

"We think [the House rule] is unwise given the uncertainty involved in dynamic scoring, the assumptions that have to be made, and the unequal treatment of tax cuts versus pro-growth investments funded through annual appropriations," Lew said. It is very dangerous to use scoring methods that may exaggerate savings and underestimate costs, he said.

Lew praised the bipartisan budget agreement reached in December 2013 that "created a framework that showed we can work through the differences to find a path forward."

The House and the Senate appropriations committees implemented the agreement, which set the discretionary spending levels for fiscal 2014 and 2015, with the spending bill that passed last month. That bill didn't make either Democrats or Republicans completely happy, but it was a compromise that funded government programs through the end of the fiscal year, Lew said.

"Looking ahead, we can build on this momentum and pass bipartisan business tax reform so that our economy is one where innovation and ingenuity thrive, where hard work and determination pay off, and where the opportunity to succeed is available to everyone," he said.

The budget agreement left in place the discretionary spending caps for fiscal 2016 and later that were set by the 2011 Budget Control Act. Lew said he doesn't like the levels of the caps, and that conversations about spending above the levels of the caps will have to include discussions about how to pay for that spending.

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